



RAC

via facsimile

408. 586.3110 (9) page

June 17, 2003

City of Milpitas
Department of Financial Services
455 E. Calveras Blvd.
Milpitas, CA 95035-5479
Attn.: Emma C. Karlen

Re: PWA Associates, LLC
\$1,000,000 promissory note

Dear Emma,

As we discussed, I am submitting a summary of the available cash to be distributed out of the refinance of ParcWest Apartments. I have attached the summary pages of an appraisal performed by Cushman Wakefield. As you can see, the apartment has been valued at \$9,650,000. At a loan-to-value ratio of 80% that allows for a financing amount of \$7,720,000. This would provide for the payoff of Comerica Bank at \$6,750,000, closing costs of \$75,000 in closing costs, and a payoff of the City of Milpitas note at \$895,000. Thus, my request is that the City of Milpitas agree to accept \$895,000 or net proceeds from the refinance of this proposed loan as payment in full for the existing \$1,000,000 promissory note and \$275,000 in accrued interest through June 30, 2003.

Thank you for your consideration of this proposal.

PWA Associates, LLC
By: Calprop Corporation, managing member

Mark F. Spiro
CFO

enclosures

COMPLETE APPRAISAL OF
REAL PROPERTY

68-Unit Apartment Building

950 South Main Street
Milpitas, Santa Clara County, California 95035

IN A SELF-CONTAINED APPRAISAL REPORT

As of June 10, 2003

Prepared For:

UBS Warburg Real Estate Investments, Inc.

610 Newport Center Drive, Suite 640
Newport Beach, CA 92660

Prepared By:

Cushman & Wakefield of California, Inc.

Valuation Advisory Services
One Maritime Plaza Suite 900
San Francisco, CA 94111

C&W File ID: 03-31002-9047



One Maritime Plaza Suite 900
San Francisco, CA 94111

June 13, 2003

Mr. Ken Margala
Director
UBS Warburg Real Estate Investments, Inc.
610 Newport Center Drive, Suite 640
Newport Beach, CA 92660

Re: Complete Appraisal of Real Property
In a Self-Contained Report
68-Unit Apartment Building
950 South Main Street
Milpitas, Santa Clara County, California 95035

C&W File ID: 03-31002-9047

Dear Mr. Margala:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our complete appraisal report on the property referenced above.

The value opinion reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report. We particularly call your attention to the following extraordinary assumptions and hypothetical conditions:

Extraordinary Assumptions: This appraisal employs the extraordinary assumption that at the sale of the subject property, the existing financing would be paid in full.

Hypothetical Conditions: This appraisal employs no hypothetical conditions.

This is a complete appraisal presented in a self-contained report, intended to comply with the reporting requirements set forth under the *Uniform Standards of Professional Appraisal Practice* (USPAP) for a Self-Contained Appraisal Report. In addition, the report was also prepared to conform to the requirements of the Code of Professional Ethics of the Appraisal Institute and the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Title XI Regulations.

This report was prepared for UBS Warburg Real Estate Investments, Inc. and is intended only for its specified use. It may be distributed to the client's attorneys, accountants, advisors, investors, lenders, potential mortgage participants and rating agencies. It may not be distributed to or relied upon by other persons or entities without written permission of Cushman & Wakefield of California, Inc.

This appraisal report has been prepared in accordance with our interpretation of FIRREA, your institution's guidelines and requirements, and the Uniform Standards of Professional Appraisal

Mr. Ken Margala
UBS Warburg Real Estate Investments, Inc.
June 13, 2003
Page 2

Practice (USPAP) including the competency provision, as promulgated by the Appraisal Institute. The appraiser(s) is/are competent to complete this report in accordance with the competency provision in USPAP.

The property was inspected by and the report was prepared by John C. Vaughan under the supervision of Robby D. Perrino, MAI, CCIM. This appraisal employs all three typical approaches to value: the Cost Approach, the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that all approaches would be considered meaningful and applicable in developing a credible value conclusion.

Based on our Complete Appraisal as defined by the *Uniform Standards of Professional Appraisal Practice*, we have developed an opinion that the market value of the leased fee estate of the referenced property, subject to the assumptions and limiting conditions, certifications, extraordinary and hypothetical conditions, if any, and definitions, "As Is" on June 10, 2003 is:

MARKET VALUE "AS IS"

NINE MILLION SIX HUNDRED FIFTY THOUSAND DOLLARS

\$9,650,000

Based upon transactions that have occurred in the marketplace as well as discussions with knowledgeable market participants, exposure time would have required approximately nine (9) months. Furthermore, a marketing period of approximately nine (9) months will be reasonable for properties such as the subject.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

CUSHMAN & WAKEFIELD OF CALIFORNIA, INC.

John C. Vaughan
Associate Director
California Certified General Appraiser
License No. AG002680

Robby D. Perrino, MAI, CCIM
Manager and Director
California Certified General Appraiser
License No. AG002595

SUMMARY OF SALIENT FACTS

Common Property Name: 68-Unit Apartment Building
Location: 950 South Main Street
Milpitas, Santa Clara County, California 95035
The site is located on South Main Street between Escort Drive and Curtis Avenue.
Property Description: The property consists of a four-story apartment development containing 68 units with two ground floor commercial spaces on a 2.29-acre parcel of land.
Assessor's Parcel Number: 086-24-024
Census Tract Number: 117.0 Block:2
Interest Appraised: Leased Fee Estate
Date of "As Is" Value: June 10, 2003
Date of Inspection: June 10, 2003
Ownership: PWA Associates
Occupancy: Current physical occupancy is 100.00 percent, with 68 occupied units and 0 vacant units.

Current Property Taxes

Land and Improvement Value: \$7,085,300
2002/2003 Property Taxes: \$78,367

Highest and Best Use

If Vacant: To hold for investment property development to the highest density possible as demand dictates
As Improved: As it is currently employed

Site & Improvements

Zoning: C-2-S
Land Area: 2.2900 gross acres (2.2900 net)
99,752 gross square feet (99,752 net)
Number of Units: 68 residential units
Number of Stories: four
Number of Buildings: one
Year Built: 2002
Type of Construction: Steel reinforced concrete exterior-framed with steel, concrete and wood framed interior
Gross Building Area: 50,349
Parking: Ample surface parking

SUMMARY OF SALIENT FACTS

VALUE INDICATORS

Land Value:

Indicated Value: \$3,700,000

Cost Approach:

Indicated Value: \$9,200,000

Per Unit: \$135,294

Sales Comparison Approach:

Indicated Value: \$9,700,000

Per Unit: \$142,647

Income Capitalization Approach

Direct Capitalization

Net Operating Income: \$623,323

Capitalization Rate: 6.50%

Indicated Value: \$9,589,585

Indicated As Is Value Rounded: \$9,600,000

Insurable Value: \$3,885,000

FINAL VALUE CONCLUSION

Market Value As Is Leased Fee: \$9,650,000

Per Unit: \$141,911

Implied Capitalization Rate: 6.49%

Exposure Time: 9

Marketing Time: 9

Extraordinary Assumptions and Hypothetical Conditions

Extraordinary Assumptions

An extraordinary assumption is defined by the *Uniform Standards of Professional Appraisal Practice* (2002 Edition, The Appraisal Foundation, page 3) as "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis."

SUMMARY OF SALIENT FACTS

This appraisal employs the extraordinary assumption that at the sale of the subject property, the existing financing would be paid in full.

Hypothetical Conditions

A hypothetical condition is defined by the *Uniform Standards of Professional Appraisal Practice* (2002 Edition, The Appraisal Foundation, page 3) as "that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis."

This appraisal employs no hypothetical conditions.